

Steinberg's Limited Annual Report 1975

AR27



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Highlights of the year

(Expressed in thousands of dollars)	1975 \$	1974 \$
Sales	1,420,966	1,185,581
Net earnings	11,460	16,229
Earnings per common and Class "A" share (dollars)	1.60	2.29
Earnings per dollar of sales	0.81¢	1.37¢
Dividends per common and Class "A" share (dollars)	0.60¢	0.60¢
Salaries, wages and employee benefits	190,449	158,399
Capital expenditures	36,590	34,309
Working capital	35,438	23,440
Long-term debt	152,928	117,924
Shareholders' equity	147,289	141,192
Equity per common and Class "A" share (dollars)	19.77	18.77
Return on equity	7.78%	11.49%
Total assets	417,674	389,003

Head Office
Alexis Nihon Plaza, 1500 Atwater Avenue,
Montreal, Canada H3Z 1Y3

Report to the shareholders

When the history of our times is written, it is likely that 1975 will be recorded as a year in which the major preoccupation of Canadians was inflation.

In every geographic region and at every level of society, Canadians have become increasingly aware of the great danger it represents to us all. Unemployment, even for those with bitter memories of the great depression of the thirties, causes less concern.

Retailers, such as Steinberg's, who seek to earn and retain the public's confidence by offering quality merchandise at low prices, have found it increasingly difficult to meet that objective. At the same time as their suppliers were rapidly raising prices, virtually all other elements of their costs were escalating at an alarming rate. (For example, Steinberg's made special economic adjustment payments totalling almost \$5 million to employees in Quebec, over and above their normal wages.) Productivity gains were insufficient to allow retailers to absorb such increases.

In the marketplace, consumers were protesting the higher retail prices and wondering if they were justified. Reports of the Food Prices Review Board, issued after extensive study of

the operations and financial results of major Canadian food retailers, showed that if anyone was profiting unduly in these circumstances it certainly was not the retailers.

Throughout this period our Company maintained its image as a low-price leader. Inevitably, our prices have risen; however, it is highly significant that food prices are lower in Montreal, Quebec and Ottawa where Steinberg's enjoys its highest share of market.

Despite the upward pressure on prices, customer confidence was maintained. The Directors felt they had good reason to anticipate that Steinberg's and its subsidiaries would experience a year of record sales and earnings: the two food divisions were doing well; the third major retailing component, Miracle Mart, was making a dramatic recovery from a position of serious loss.

Unfortunately, inflationary factors were at work in the world sugar mar-

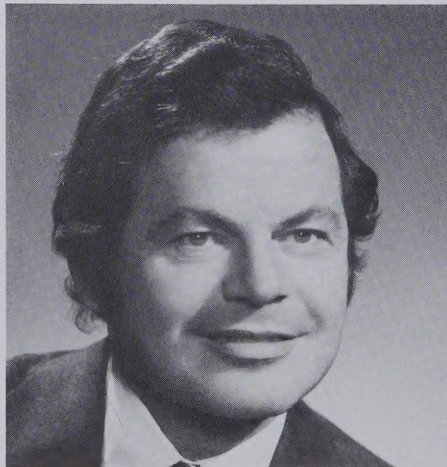
kets, forcing prices to unprecedented heights. Our subsidiary, Cartier Sugar Ltd. was unable to maintain a fully hedged position. The losses it suffered while unhedged and as a result of wide price fluctuations on the London market amounted to over \$10 million before taxes. Thus our consolidated earnings were sharply reduced.

The parent company had advanced large sums to Cartier to support its purchases of inventory and its hedging operations. At the year-end these amounted to \$10 million. In the circumstances it was decided to convert that debt to equity capital; Cartier has since issued newly created preferred shares to Steinberg's Limited in that amount.

Although our consolidated sales of more than \$1.4 billion represented a healthy increase over 1974 results, net earnings of only \$11,460,000 cannot be described as satisfactory; nor can a return on equity of only 7.78%. The Directors believe, however, that in 1976 our earnings will recover to at least the levels of the past two years. If our plans are realistic, Steinberg's various retail, manufacturing and real estate components will all operate at a profit.



Sam Steinberg,
Chairman of the Board and
Chief Executive Officer



Melvyn A. Dobrin,
President

For some persons the word profit evokes an image of exploitation and unfair return; for some, all profit is "excess". Too few Canadians understand the essential role that profit plays in fuelling our economy, — through reinvestment in new plant and equipment which provide additional jobs and in paying off debt. Without profit there can be no sustained prosperity, production or employment.

Within the limits of its means — that is, as its earnings and its ability to repay borrowed funds permit — Steinberg's endeavours to replace obsolete facilities with new or modernized ones. In addition, we seek new opportunities for healthy growth. The alternative is to accept decreasing productivity and less job security for our employees. In 1975 our capital expenditures exceeded \$36 million. In June, at the first meeting of the Board ever held in Quebec City, the Directors announced expansion plans for that area which, over the next few years, will involve capital expenditure in excess of \$22 million. Total capital expenditures for 1976 will exceed \$50 million. During the fiscal year we plan five new food stores in Quebec, three in Ontario, the renovation of three Miracle Mart stores and nine food stores, the construction of a

new Beaucoup unit and the conversion of an existing food and Miracle Mart store. We will complete the construction of new office facilities for Ontario Division and a new shopping centre. These various developments will provide many new job opportunities.

Wages, prices and profits are now subject to control in Canada. Our Directors and management recognize that some action had to be taken to arrest inflation — Canadians had been living beyond their means too long. Our Company can be counted upon to cooperate fully with the appropriate authorities.

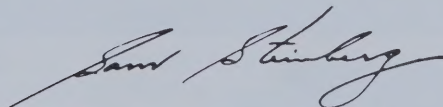
Although the full implications of the restraints are not yet known, we believe that we will be able to operate effectively within the guidelines of the Anti-Inflation Program. We do not foresee any overall reduction in food prices over the near term — prices to primary producers are not subject to control — but we do anticipate a gradual slowing of the upward trend.

It would be our hope that the imposition of controls will be of short duration. If controls are to be truly effective, governments, as well as the private sector, must do their part; excess government spending is a major factor in the Canadian inflation problem. Government spending **can** and **must** be reduced.

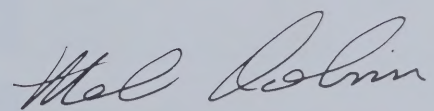
The negative implications of wage controls could be great if companies, employees and their union representatives continue to follow outdated patterns of negotiation which lead to confrontation. We believe that our imperative common need to overcome inflation presents a unique opportunity. We can work together, in close, cooperative effort to determine better ways to achieve increased productivity for the benefit of all. Increased productivity is essential if inflation is to be contained; it is essential to the Company's continued progress; and under the guidelines it justifies special increases in compensation to employees.

Inflation affects us all. All Canadians must cooperate if it is to be defeated.

November 4, 1975



Chairman of the Board

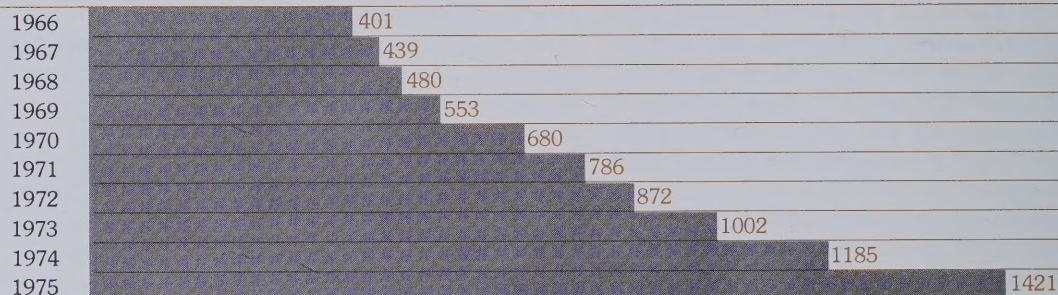


President

Ten year summary

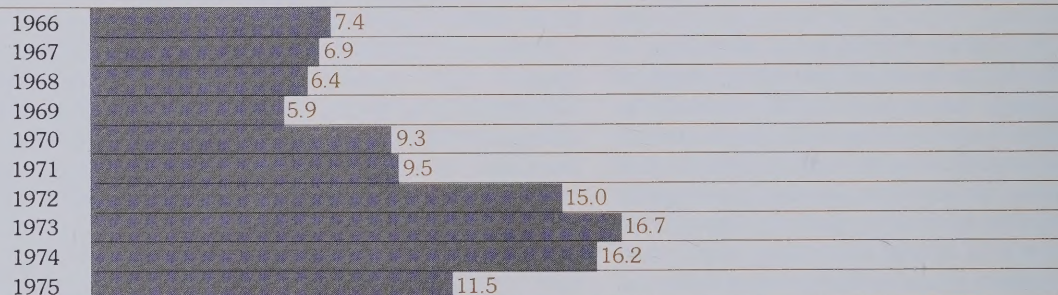
Sales

For Fiscal Years 1966 - 1975
(Millions of dollars)



Net Earnings after Taxes

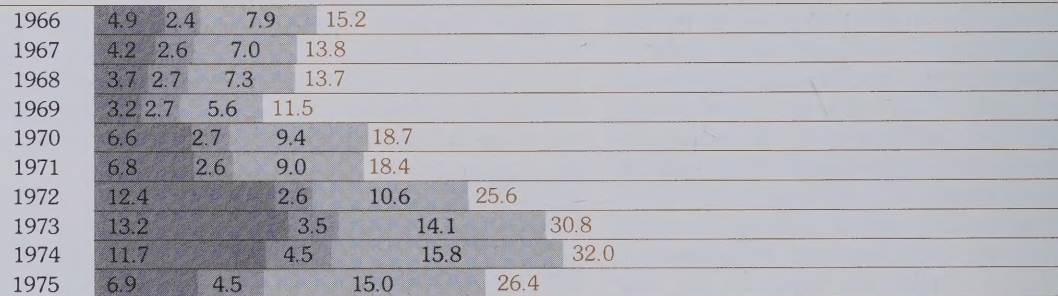
For Fiscal Years 1966 - 1975
(Millions of dollars)



Distribution of Earnings

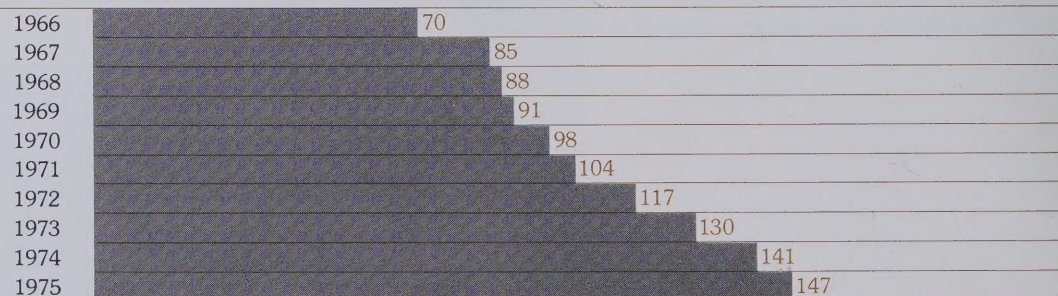
For Fiscal Years 1966 - 1975
(Millions of dollars)

- Earnings retained in the Company
- Dividends paid to shareholders
- Income Taxes (including deferred taxes)



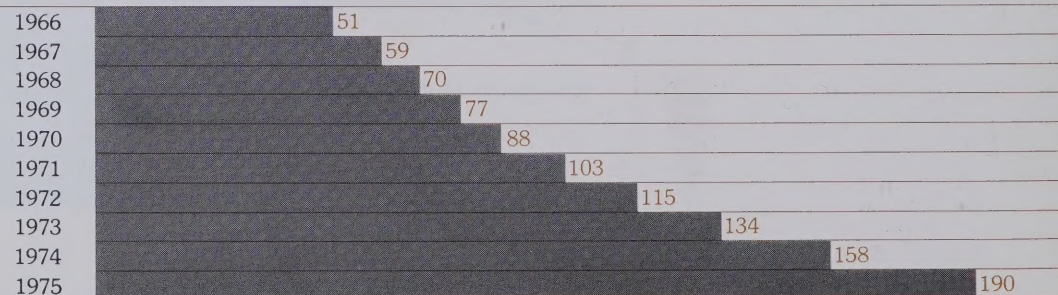
Shareholders' Equity

For Fiscal Years 1966 - 1975
(Millions of dollars)



Salaries, Wages and Employee Benefits

For Fiscal Years 1966 - 1975
(Millions of dollars)



Financial and operating review

The significant sales increase achieved by the Company, particularly in the retail food divisions, reflects continuing public confidence in our merchandising and pricing policies. While not all divisions and subsidiaries operated at a profit, and very serious losses were incurred by Cartier Sugar, we are satisfied that most of the problems encountered have been, or are well on the way to being resolved.

Sales — \$1.42 Billion

Total retail and manufacturing sales (excluding internal sales) reached \$1,420,966,000, an increase of more than \$235 million or 19.85% above the \$1,185,581,000 achieved in 1974. This increase maintained the Company's traditional growth pattern of tripling sales every ten years.

Consolidated sales and operating revenue totalled \$1,430,195,000 in comparison to \$1,197,319,000 in fiscal 1974.

Net Earnings — \$11,460,000

Consolidated net earnings declined by approximately 29%, from the previous year's \$16,229,000 to \$11,460,000.

Earnings per common and Class "A" share decreased to \$1.60 from \$2.29, and earnings per dollar of sales declined to 0.81 cents, from 1.37 cents in fiscal 1974.

The decline in consolidated net earnings resulted primarily from unusual losses sustained by Cartier Sugar Ltd. Had Cartier not suffered these losses, consolidated net earnings would have attained a record level of \$17,149,000, equivalent to \$2.42 per common and Class "A" share or 1.21 cents per dollar of sales.

As in past years, the food retailing divisions contributed the greater part of our actual earnings. Miracle Mart reversed the loss trend of recent years.

Cardinal Distributors' position improved but results of Intercity Food Services were down somewhat from last year. Steinberg Foods continued to experience difficulties. Phénix Flour again experienced a good year. Earnings of Ivanhoe and its subsidiaries were lower than in 1974.

Quarterly Performance

Our quarterly consolidated earnings, which normally fluctuate in accordance with seasonal retailing conditions and intermittent gain on sale of land, were subject to additional distortion because of the losses suffered by Cartier Sugar.

Quarter	1975	Per	1974	Per
	Net Earnings (In Thousands)	Share	Net Earnings (In Thousands)	Share
	\$	\$	\$	\$
1st (12 weeks)	3,289	0.47	2,861	0.41
2nd (12 weeks)	1,342	0.19	4,520	0.64
3rd (12 weeks)	2,660	0.37	3,394	0.48
4th (16 weeks)	4,169	0.57	5,454	0.76
	11,460	1.60	16,229	2.29

Depreciation

Depreciation and amortization during the fiscal year amounted to \$15.95 million compared to \$14.65 million reported for 1974. The Company computes and reports depreciation on the straight line method at rates sufficient to amortize the cost of assets over their estimated useful lives.

Income Taxes

Notwithstanding a decrease of \$5,733,000 in earnings before taxes, the income tax provision for the year amounted to \$15,023,000 in comparison to \$15,834,000 for the previous

year. The increase in the effective tax rate, to 55.8%, is due in large measure to the 10% surtax in effect for a full 12 month period, which amounted to \$1,058,000. Another major factor affecting taxes was our inability, because of the losses in Cartier Sugar and Steinberg Foods, to benefit from the lower tax rate established for manufacturing companies.

Assets and Liabilities

During fiscal 1975, consolidated assets increased by more than \$28.6 million to \$417.7 million. Our developed properties accounted for \$20.3 million of this increase. Inventories at year end showed a small decline of approximately \$1 million, this being the net effect of the write-down in Cartier's inventory and an increase in retail inventories, principally in the food divisions.

In December 1974, Steinberg's issued \$25,000,000 10½% Series "D" Sinking Fund debentures due 1994. During the year, Ivanhoe utilized readily available bank term loans to finance current developments. These term loans, at varying rates above prime, totalled \$13 million; an additional \$15,000,000 available to be drawn over three years was negotiated subsequent to the year end. Total long-term debt increased by \$35 million to \$152,928,000.

In the course of the year, 13,231 Class "A" shares were issued to employees for a total consideration of

\$175,000. Working capital increased by \$12 million to \$35,438,000. Current assets increased slightly to \$139,160,000 at year end, while current liabilities were reduced by approximately \$11.5 million to \$103,722,000, resulting in a working capital ratio of 1.34 to 1.

Dividends and Shareholders' Equity

Dividends paid during the year totalled \$4,489,000. The Company paid quarterly dividends aggregating \$0.60 per share on its common and Class "A" shares. Dividends amounted to \$5.25 per share on the 5 $\frac{1}{4}$ % Preferred shares and \$2.45 on the 2 $\frac{1}{2}$ % Subordinated Preferred shares.

A total of 13,231 Class "A" shares were issued to employees under stock purchase and stock option plans. The Company redeemed 768 of its 5 $\frac{1}{4}$ % Preferred shares and 10,200 of its 2 $\frac{1}{2}$ % Subordinated Preferred shares. (Subsequent to the year end a further 10,200 Subordinated Preferred shares were redeemed.)

Shareholders' Equity increased by \$6 million to \$147 million at the end of the fiscal year. This amounted to \$19.77 per common and Class "A" share, increasing from \$18.77 per share. Return on equity declined from 11.49% to 7.78%. Retained earnings increased by \$7 million to approximately \$119.5 million at year end.

Retail Food Operations

Sales of our retail food divisions, Quebec and Ontario, plus the food sales of our two Beaucoup units, aggregated \$1,179,817,000. Thus food sales represented more than 83% of Steinberg's consolidated retail sales.

We believe that our gross margin on retail food sales is significantly lower than the industry average in Canada.

Quebec Division



Gerry Spitzer,
Vice-President
& General Manager

The largest share of the Company's sales and earnings continue to be provided by this division's food store operations in the province of Quebec and eastern Ontario. The division achieved its best ever results in terms of both sales and earnings.

Four new stores were opened, two being replacements for older stores closed during the year. Two outdated stores were modernized. At the year end the division operated 139 food stores.

Quebec division's management is very conscious of the need to develop and upgrade personnel within a participative structure to meet the challenges faced by the Company. This has resulted in a number of changes in senior management personnel. Appointments include two new unit (regional) managers, a new head grocery buyer, a new director of distribution, and a new director of personnel. The division's senior management team, with an average age of 41, is well equipped by education, experience and training to give leadership under rapidly changing conditions. At store level, Steinberg's management ranks with the finest anywhere. Our store managers play a key role in assuring our continued success.

Sales of Quebec division could attain the billion dollar level in the foreseeable future. In anticipation of this growth, we are currently making preparations to establish a separate division, with headquarters in Quebec City, to handle the stores in the eastern and northern parts of the province.

Ontario Division



Norman Auslander,
Vice-President
& General Manager

Sales of Ontario division have increased consistently over the years and 1975 was the fourth consecutive year in which earnings showed marked improvement.

This division's stores in central and south-western Ontario are operated under the name of "Miracle Food Mart". During the year, seven stores were opened, three older stores closed and two were modernized. As of July 26, fifty-seven stores were in operation.

Three of the new stores are equipped with electronic check-outs. These check-outs facilitate better inventory control and give more accurate information concerning goods sold. They are adaptable to the electronic scanning system (featured in last year's report) which is still undergoing testing. When we are sure that the scanning system has moved from the experimental stage to one of proven practicability, these stores will be equipped with scanning devices.

We have initiated a new safety program which will assist in reducing accidents at work. Employees have been deeply involved in the development of this program and, within a short period of time, they have been able to achieve positive results. To meet our physical needs, construction has started on a new office building adjacent to our warehouse. It is expected that the division's management and staff will occupy these facilities by next spring.

General Merchandise Retailing

In general merchandise retailing we are represented by Miracle Mart (department stores), Cardinal Distributors (catalogue showrooms) and Beaucoup (new units which sell food and general merchandise). The combined sales of these different stores totalled \$182,135,000.

We hope to improve the aggregate profit of these operations during the coming year.

Miracle Mart Division



Mitzi Dobrin,
Vice-President

Miracle Mart reversed the loss trend of previous years. Its share of market in the province of Quebec increased dramatically and more than overcame the decrease in sales resulting from the closing of three stores in Ontario (Toronto, Hamilton and St. Catharines) and the conversion of the Bramalea store to a Beaucoup unit.

The merchandising approach was reviewed and a number of changes were made to marketing strategy. The division now concentrates on offering an improved assortment of goods to meet the basic needs of customers, with an emphasis on casual wear. This has resulted in a lower level of markdowns. A new advertising and sales promotion approach has also found good acceptance with the public.

Considerable attention has been paid to improving the quality of goods sold. A variety of means were used to achieve this objective: the number of

suppliers was reduced, with buying directed towards those suppliers who have consistently provided high quality products; our internal quality control inspections were increased; and representatives of the division's Quality Control Department now go directly to suppliers to explain Miracle Mart's quality standards and to examine goods in production to ensure that such standards are met. During the year, a number of in-store quality control demonstrations were held. These demonstrations increase customer confidence in the goods we sell.

The various reorganizational steps taken by Miracle Mart during the past two fiscal years have already shown positive results and should continue to have a beneficial effect on profitability. We expect that with improving customer acceptance, higher sales and better cost control, Miracle Mart's contribution to earnings will increase and it will achieve a more acceptable rate of return on investment.

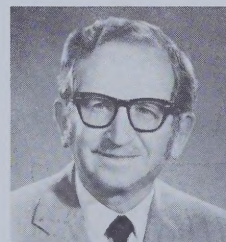
Beaucoup

During the year, we converted the food and Miracle Mart department stores at the Bramalea City Centre to form our second Beaucoup unit. Sales in both the food and general merchandise categories improved significantly after the conversion, confirming our belief that this single unit concept has a good future.

The sales mix of food and non-food, both at Bramalea and in our first unit at Carrefour Laval, has exceeded our budget targets. In both instances all pre-opening expenses have been written off. We expect that both these units will shortly make a positive contribution to profits.

The operations of Beaucoup require close cooperation with the food and Miracle Mart divisions. General merchandise is bought through Miracle Mart, food buying is done through the appropriate food division. Present plans call for the conversion of our food and Miracle Mart stores at Cavendish Mall, in Montreal, and the construction of additional Beaucoup units in Jonquière and Quebec City.

Cardinal Distributors Limited



Morris Steinberg,
President

Cardinal opened three catalogue sales stores in 1975, bringing the total in operation at the year end to 36. These new units were located in St. Jerome and Sept Iles in Quebec and in Dieppe, New Brunswick.

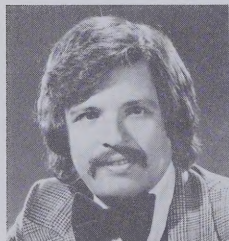
The sales volume in stores that have been open for at least a year continues to show satisfactory growth. Cardinal has achieved good customer acceptance by selling brand name merchandise at lower than traditional mark-ups.

While a profit on operations was not realized, losses were reduced significantly. We are satisfied that Cardinal will contribute to overall earnings in the coming year.

Manufacturing Operations

Total sales for the food manufacturing and processing operations carried on in three subsidiary companies — Steinberg Foods, Cartier Sugar and Phénix Flour — amounted to \$93.8 million. Internal, inter-company sales accounted for \$50.5 million of this total.

Steinberg Foods Limited



Joseph Beerman,
Vice-President
& General Manager

Again encountering operational difficulties related to the expansion of its bakery facilities, this subsidiary operated at a loss. By year end it was felt that these difficulties had been largely overcome. The outlook for fiscal 1976 is good, notwithstanding customer resistance to the purchase of certain bakery items whose prices have increased because of higher ingredient costs.

In addition to its bakery lines, this subsidiary manufactures a wide range of delicatessen type products such as chicken pies, pizza, sausages, hot dogs, a full range of salads, cooked meats, tourtières, etc. At present, virtually all production is sold to the retailing divisions of Steinberg's, but with the increased capacity available in the new facilities we are seriously investigating means to increase outside sales.

Joseph Beerman was appointed vice-president and general manager of this subsidiary during the year.

Cartier Sugar Ltd.



John A. Lang,
President,
Cartier Sugar Ltd. &
Phénix Flour Limited

For several years this subsidiary, a small sugar refinery, operated profitably while maintaining a satisfactory share of market.

Like other Canadian refiners it endeavours, through "hedging", to protect the value of its inventories against price fluctuations on the world sugar markets. However, when world prices rose to unprecedented levels last fall, Cartier was unable to maintain a fully hedged position. It suffered severe losses, both from being temporarily unhedged and as a result of unusual variation between the London daily price and prices on the terminal market.

These losses, before taxes, were slightly in excess of \$10 million. Advances from Steinberg's in the amount of \$10 million have since been converted to equity capital through an issue of preferred shares.

Sugar prices, while remaining high, stabilized during the latter part of the fiscal year. Inventories are being held to a minimum. We fully expect that Cartier will regain its former level of profitability.

Phénix Flour Limited

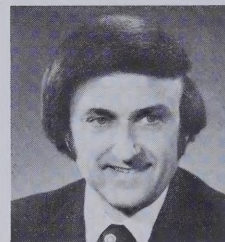
Phénix Flour had an excellent year, both in terms of sales volume and net earnings. The mill again operated at near capacity.

Domestic flour sales were well maintained and demand for mill feeds remained strong at good prices. Serious competition was again encountered in export markets.

The company's long-term debt was fully retired during the year. Return on investment is excellent. Outlook for 1976 continues to be favorable.

Other Retailing

Intercity Food Services Inc.

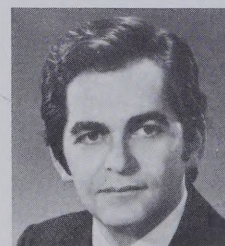


Lewis Steinberg,
President

Sales of our restaurant subsidiary increased approximately 15% during 1975, while net earnings declined. The drop in earnings resulted principally from the inability to pass on the full amount of price increases from suppliers as they occurred and from increased operational expenses, particularly the cost of public utility services.

Seven units were opened during the year and seven older, unprofitable units closed. This subsidiary had 119 units in operation as of July 26. Current plans call for the opening of five units during the current fiscal year.

Pharmaprix Limited



Mark Schwartz,
General Manager

Pharmaprix has developed a new concept for consumers in Quebec — low-price mass merchandising through retail outlets associated with pharmacy dispensaries. Pharmaprix provides management advice and other specialized services relating to the non-professional operation of the stores, each of which is owned and operated by a professional pharmacist. Sales from the 17 units in operation at year end are increasing satisfactorily and the concept has been well received by both the participating professionals and the public.

Pharmaprix is jointly owned by Steinberg's and Koffler Stores Limited. Its accounts are not included in Steinberg's consolidated statements, but are accounted for on an equity basis.

Real Estate Operations

Ivanhoe Corporation and Subsidiaries



Ralph H. Ordower,
Vice-President
& General Manager

Total revenues of our real estate subsidiary amounted to \$17,386,000, a decline of \$1,481,000 from the level achieved in 1974. Increased income, derived from shopping centre operations, was more than offset by lower gains on land sales.

Ivanhoe's consolidated net earnings declined from \$2,736,000 to \$2,173,000. Cash flow from operations increased from \$6,735,000 to \$7,146,000, equal to \$1.03 per common and Class "A" share outstanding of Steinberg's Limited.

Fixed assets increased from \$129,399,000 to \$143,014,000 including an amount of \$22,055,000 for undeveloped land valued at cost plus carrying charges. Long-term debt (other than to the parent Company) increased by \$10,682,000 to \$83,666,000.

Ivanhoe Financial Highlights

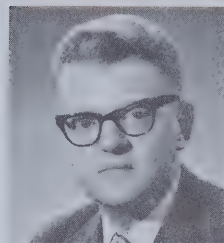
	July 26, 1975	July 27, 1974
	(in thousands)	
	\$	\$
Total assets	169,605	148,501
Long-term debt outstanding		
— parent company	34,060	22,287
— other	83,666	72,984
Revenue		
— rentals — parent company	8,221	7,927
— other tenants	8,703	8,492
— gain on sale of land	462	2,448
	17,386	18,867
Net earnings	2,173	2,736
Cash flow from operations	7,146	6,735

During the year, Ivanhoe completed the expansion of Place Ste-Foy in the Quebec City region. This shopping centre has a gross leasable area in excess of 500,000 square feet with enclosed parking on four levels. This exciting centre is portrayed in some detail elsewhere in this report.

Ivanhoe, jointly with another developer, has completed the redevelopment of Montenach Mall located in Belloeil, Quebec. This centre which opened in 1960, has been transformed into a regional shopping centre with an enclosed mall, two department stores and 60 other retailers. By July, construction of Champlain Mall on the south shore of Montreal was virtually completed. This centre is a joint venture with Simpsons-Sears and features their first store in the Montreal region. Work is well under way on the construction of a neighborhood shopping centre at Orsainville in the Quebec City region.

Originally formed to facilitate the development and financing of Steinberg stores, Ivanhoe has gradually evolved toward becoming a more conventional real estate developer. In the future it may well develop properties which are unrelated to Steinberg's retailing and manufacturing needs. Accordingly, its financial dependence on Steinberg's will be reduced and its requirements for funds increasingly met by its own borrowing.

Employee Relations



Henri Tremblay,
Vice-President,
Personnel

Salaries, wages and employee benefits paid to our more than 24,000 full and part time employees exceeded \$190 million, — up approximately \$32 million or 20.2% from the previous year.

Increases in the wages and salaries paid have more than kept pace with the rising cost of living. It is worth noting, also, that while wages, salaries and benefits increased to over \$190 million, the dividends paid to our shareholders during the same period totalled only \$4,489,000 (actually decreased from \$4.5 million in 1974). It is obvious that Steinberg employees have a very considerable stake in their company's success.

As this report is being issued, we are negotiating the renewal of collective agreements that expired in September with the unions representing employees of our food stores and food warehouses, our Miracle Mart stores, the Miracle Mart warehouse, our workshops and Steinberg Foods' bakery, all in the Montreal region. Early in October, a two-year collective agreement was reached with food warehouse employees in Toronto.

It is too early to assess the probable effects of the new wage and price legislation. Unquestionably, company management, employees and union representatives will have to work well together if our common objectives are to be met.

Place Ste-Foy

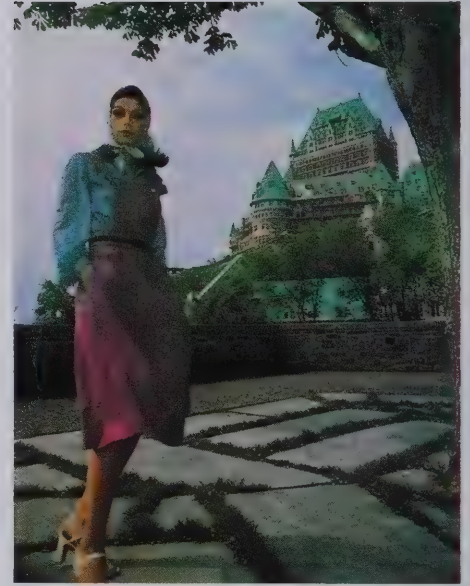
le carrefour de l'élégance...

Pictured on these pages is an example of a recent development of Ivanhoe Corporation. This centre, located in the historic Quebec City region, originally opened in 1957. It has recently undergone a major modernization and expansion, transforming it into one of the most attractive shopping centres in North America.

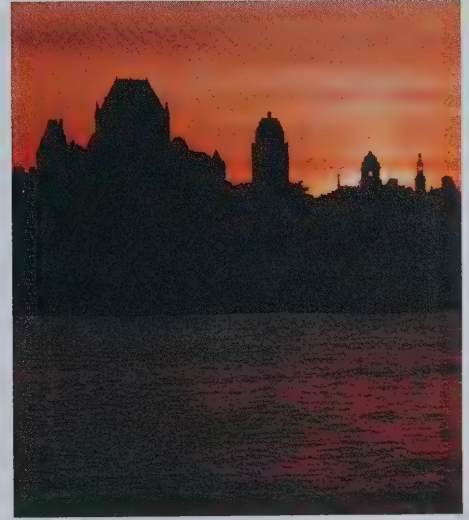
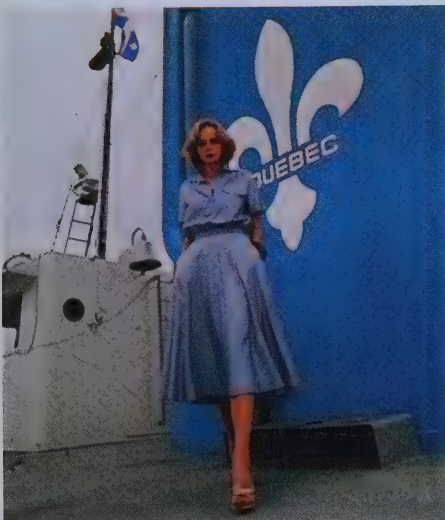
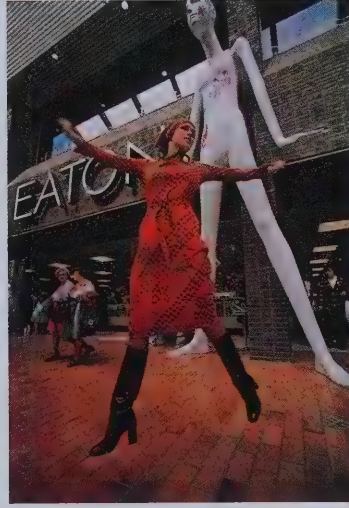
The sophisticated accent of the centre befits the fashion and quality consciousness of today's Quebec. Tenants in Place Ste-Foy include leading Canadian retailers such as Eaton's, Holt Renfrew and

Birks; internationally known fashion houses are represented by Courrèges and Rodier de Paris. Local merchants include Simons, Perreault, Boutique Pénélope and Doucet.

Ivanhoe, and the 105 merchants of the centre, have created in Place Ste-Foy a true "carrefour de l'élégance"...



... an Ivanhoe development



Consolidated balance sheet

Steinberg's Limited and Subsidiary Companies
As at July 26, 1975

ASSETS (Expressed in thousands of dollars)		1975 \$	1974 \$	
Current Assets				
Cash and short-term deposits		11,508	7,329	
Accounts receivable		8,445	11,881	
Inventories (note 1(b))		112,165	113,283	
Prepaid expenses		7,042	6,232	
		139,160	138,725	
Other Assets (note 2)		21,479	14,335	
Fixed Assets — real estate operations				
Undeveloped land — at cost plus carrying charges		22,055	21,769	
Land, buildings and parking areas — at cost	153,695			
Less: Accumulated depreciation	32,736	120,959	107,630	
		143,014	129,399	
Fixed Assets — retail and manufacturing operations				
	Cost	Accumulated depreciation		
	\$	\$		
Land and buildings	4,718	899	3,819	3,764
Equipment	143,593	67,552	76,041	70,594
	148,311	68,451	79,860	74,358
Leasehold improvements — at cost, less amortization			16,653	14,983
			96,513	89,341
Intangible Assets				
Unamortized discount on long-term debt		2,049	1,744	
Excess of cost of shares in subsidiary companies over net book value at date of acquisition		15,459	15,459	
		17,508	17,203	
		417,674	389,003	

Signed on Behalf of the Board
Sam Steinberg, Director
Mel Dobrin, Director

LIABILITIES (Expressed in thousands of dollars)	1975 \$	1974 \$
Current Liabilities		
Bank advances and notes payable	740	22,225
Accounts payable and accrued liabilities	100,324	91,116
Dividends payable	36	37
Income taxes	2,494	1,607
Current portion of long-term debt (note 3)	128	300
	103,722	115,285
Long-term Debt and Other Obligations (note 3)		
Real estate operations	83,666	72,984
Retail and manufacturing operations	69,262	44,940
	152,928	117,924
Deferred Income Taxes	11,275	12,291
Minority Interest (including preferred shares — 1975 — \$216,800; 1974 — \$509,600)	2,460	2,311
SHAREHOLDERS' EQUITY		
Capital Stock (note 4)		
Authorized —		
76,915 cumulative redeemable preferred shares of the par value of \$100 each		
71,400 2½% non-cumulative subordinated preferred shares redeemable at their par value of \$98 each		
4,500,000 Class "A" shares without par value — non-voting		
3,500,000 common shares without par value		
Issued and fully paid —		
26,915 5¼% preferred shares — Series "A"	2,692	2,768
71,400 2½% subordinated preferred shares	6,997	7,997
3,960,531 Class "A" shares	6,050	5,875
3,000,000 common shares	1,500	1,500
	17,239	18,140
Contributed Surplus (note 5)	10,590	10,563
Retained Earnings	119,460	112,489
	147,289	141,192
	417,674	389,003

Consolidated statement of retained earnings

Steinberg's Limited and Subsidiary Companies
For the year ended July 26, 1975

(Expressed in thousands of dollars)	1975 \$	1974 \$
Balance — Beginning of Year	112,489	100,769
Net earnings for the year	11,460	16,229
	123,949	116,998
Dividends —		
5 ¹ / ₄ % preferred shares Series "A"	143	146
2 ¹ / ₂ % subordinated preferred shares	175	200
Class "A" and common shares	4,171	4,163
	4,489	4,509
Balance — End of Year	119,460	112,489

Consolidated statement of earnings

Steinberg's Limited and Subsidiary Companies
For the year ended July 26, 1975

(Expressed in thousands of dollars)	1975 \$	1974 \$
Sales and Operating Revenue	1,430,195	1,197,319
Expenses		
Cost of sales and other operating and administrative expenses	1,159,263	967,598
Wages and employee benefits	189,031	157,319
Directors' and officers' remuneration	1,418	1,080
Rentals and lease purchase payments	17,107	14,881
Depreciation and amortization	15,803	14,473
Unusual losses on sugar operations of subsidiary	10,020	
	1,392,642	1,155,351
Earnings from Operations	37,553	41,968
Financial (Income) and Expenses		
Interest and amortization of discount on long-term debt	9,774	8,966
Other interest	2,442	1,887
Investment income, including interest earned and gain on redemption of long-term debt	(1,588)	(1,543)
	10,628	9,310
Earnings Before Income Taxes	26,925	32,658
Income Taxes		
Current	16,039	13,495
Deferred	(1,016)	2,339
	15,023	15,834
Earnings before Minority Interest	11,902	16,824
Minority Interest	442	595
Net Earnings for the Year	11,460	16,229
Represented by:		
Retail and manufacturing companies (after eliminating dividends from Ivanhoe Corporation of \$750,000 in each year)	9,287	13,493
Real estate companies	2,173	2,736
	11,460	16,229
Net Earnings per Class "A" and Common Share (note 4(d))	\$1.60	\$2.29

Consolidated statement of earnings

Steinberg's Limited and its Retail and Manufacturing Subsidiary Companies
For the year ended July 26, 1975

(Expressed in thousands of dollars)	1975 \$	1974 \$
Sales	1,420,966	1,185,581
% increase 1975 — 19.85%; 1974 — 18.29%		
Operating Expenses		
Cost of sales and other operating and administrative expenses	1,156,570	965,076
Wages and employee benefits	188,690	156,982
Rentals and lease purchase payments	25,327	22,808
Depreciation and amortization	12,674	11,474
Unusual losses on sugar operations of subsidiary	10,020	
% increase 1975 — 20.49%; 1974 — 18.65%	1,393,281	1,156,340
Earnings from Operations	27,685	29,241
Financial Expenses		
Interest and amortization of discount on long-term debt	5,119	3,299
Other interest	2,373	1,818
	7,492	5,117
	20,193	24,124
Income from Investments		
Interest on advances — Ivanhoe Corporation	2,244	1,741
Dividends on preferred shares — Ivanhoe Corporation	750	750
Other, including interest earned and gain on redemption of long-term debt	311	368
Gain on sale of land	64	798
	3,369	3,657
Earnings before Income Taxes	23,562	27,781
Income Taxes		
Current	15,869	11,698
Deferred	(2,779)	1,445
	13,090	13,143
Earnings before Minority Interest	10,472	14,638
Minority Interest	435	395
Net Earnings for the Year	10,037	14,243

Consolidated statement of earnings

Ivanhoe Corporation and Subsidiary Companies
For the year ended July 26, 1975

(Expressed in thousands of dollars)	1975 \$	1974 \$
Revenue		
Rentals — Steinberg's Limited and its retail and manufacturing subsidiary companies	8,221	7,927
— Other	8,703	8,492
Gain on sale of land	462	2,448
	17,386	18,867
Expenses		
Operating and administrative	2,694	2,522
Wages and employee benefits	1,759	1,417
Depreciation	3,129	2,999
	7,582	6,938
Earnings from Operations	9,804	11,929
Financial (Income) and Expenses		
Interest and amortization of discount on long-term debt — Steinberg's Limited	2,244	1,741
— Other	4,655	5,667
Other interest	69	69
Investment income, including interest earned and gain on redemption of long-term debt	(1,277)	(1,175)
	5,691	6,302
Earnings before Income Taxes	4,113	5,627
Income Taxes		
Current	170	1,797
Deferred	1,763	894
	1,933	2,691
Earnings before Minority Interest	2,180	2,936
Minority Interest	7	200
Net Earnings for the Year	2,173	2,736

Consolidated statement of cash flow

Ivanhoe Corporation and Subsidiary Companies
For the year ended July 26, 1975

(Expressed in thousands of dollars)	1975 \$	1974 \$
Net Earnings for the Year	2,173	2,736
Non-cash items — depreciation	3,129	2,999
— deferred income taxes	1,763	894
— other	81	106
Cash Flow from Operations	7,146	6,735
Cash Flow per Steinberg's Class "A" and Common Share (note 4(d))	\$1.03	\$0.97

Consolidated statement of changes in financial position

Steinberg's Limited and Subsidiary Companies
For the year ended July 26, 1975

(Expressed in thousands of dollars)	1975 \$	1974 \$
Source of Working Capital		
Net earnings for the year	11,460	16,229
Items not affecting working capital —		
Depreciation and amortization	15,948	14,647
Deferred income taxes	(1,016)	2,339
Minority interest	442	595
Provided from operations	26,834	33,810
Additional debt and capital stock issued —		
Notes payable		5,567
Net proceeds from issue of 10½% Series "D" debentures	24,550	
Mortgages and other obligations — net	13,938	
Class "A" shares to employees (1975 — 13,231 shares; 1974 — 21,025 shares)	175	250
	65,497	39,627
Use of Working Capital		
Net additions to assets —		
Real estate property	16,744	8,011
Retail and manufacturing — fixed assets	19,846	26,298
Investments and other items	7,144	1,459
	43,734	35,768
Reduction of long-term debt	3,934	5,385
Reduction of minority interest	293	141
Redemption of Series "A" preferred shares — net	49	110
Redemption of subordinated preferred shares	1,000	999
Dividends	4,489	4,509
	53,499	46,912
Increase (Decrease) in Working Capital	11,998	(7,285)
Working Capital — Beginning of Year	23,440	30,725
Working Capital — End of Year	35,438	23,440

Notes to consolidated financial statements

Steinberg's Limited and Subsidiary Companies
For the year ended July 26, 1975

1. Accounting Policies

(a) Principles of consolidation

The consolidated financial statements include the accounts of all companies in which the parent company holds an interest in excess of 50%, including those of Ivanhoe Corporation and its subsidiary companies. The investments in 50% owned companies are accounted for on the equity basis.

(b) Inventories

Inventories are valued at the lower of cost and net realizable value using principally the retail method for retail stores and average cost for the remaining inventory.

(c) Depreciation and amortization

- (i) Depreciation of fixed assets is computed on the straight line method at rates which are sufficient to amortize the costs over their estimated useful lives.
- (ii) Long-term debt discount is amortized over the terms of the issues.
- (iii) No amortization is charged on the excess of cost of shares in subsidiary companies over the net book value at date of acquisition.

2. Other Assets

These are comprised as follows:

	1975 (thousands of dollars)	1974
50% owned companies —		
Shares — at equity	1,253	547
Advances	823	1,766
	2,076	2,313
Affiliated companies —		
Shares — at cost	693	694
Advances		68
	693	762
Advances and other recoverable amounts		
Balances of sales of land	4,065	4,964
Real estate transactions	9,549	1,912
	13,614	6,876
Funds on deposit and other items	5,096	4,384
	21,479	14,335

3. Long-Term Debt and Other Obligations

	1975 (thousands of dollars)	1974
Real estate operations —		
First mortgage sinking fund bonds —		
Ivanhoe Corporation —		
6 ³ / ₄ % Series A, due 1991	4,615	4,740
6 ¹ / ₄ % Series B, due 1991 (repayable in U.S. currency \$1,989,000; 1974 — \$2,060,000)	2,169	2,242
Steinberg's Properties Limited —		
4 ¹ / ₂ % Series A, due 1980	670	788
6% Series "B", "C" and "D", due 1982-84	4,760	4,832
Steinberg's Shopping Centres Limited —		
7% Series A, due 1985	4,584	4,922
8 ¹ / ₂ % Series B, due 1994	3,988	4,109
Steinberg Realty Limited —		
8 ¹ / ₂ % Series A, due 1991	14,619	14,732
8 ⁷ / ₈ % Series B, due 1993	21,838	21,883
	57,243	58,248

Sinking fund requirements for the above bonds total \$10,624,000 for the five ensuing years. The excess of bonds cancelled or purchased for redemption to date over the cumulative sinking fund requirements at July 26, 1975 amounting to \$2,396,000 may be applied against these requirements.

3. Long-Term Debt and Other Obligations — (cont'd.)

	1975	1974
	(thousands of dollars)	
Mortgage loans and balances payable on land purchases —		
6% - 9% balances payable on land purchases	3,007	3,375
5 1/2% - 7 1/2% mortgage loans, repayable in varying monthly instalments to 1985	7,992	8,763
10 1/2% mortgage loan repayable in monthly instalments to 1996	919	941
	<u>11,918</u>	<u>13,079</u>
Other obligations—		
Non-interest bearing	109	529
6% - 10% due on demand	802	561
Bank term loan due not later than 5 years from date of final drawdown at 1/2 of 1% above prime to the third year and at 1% above prime for the final two years	1,850	
Bank term loan due July 31, 1980 with interest at 3/4% above prime to July 31, 1976 and at 1 1/4% above prime thereafter	11,744	567
	<u>14,505</u>	<u>1,657</u>
	<u>83,666</u>	<u>72,984</u>

Due to the nature of the real estate operations the current portion due within one year has not been included under current liabilities. This portion will be financed in the same period from rental income under lease agreements which has not been included in accounts receivable.

Retail and manufacturing operations —

	1975	1974
	(thousands of dollars)	
Sinking fund debentures —		
Steinberg's Limited —		
5 3/4% Series "A", due 1984	9,397	9,518
6 5/8% Series "B", due 1986	10,115	10,303
8 5/8% Series "C", due 1992	19,878	19,894
10 1/2% Series "D", due 1994 (or 1984 at option of holder)	25,000	
	<u>64,390</u>	<u>39,715</u>
Sinking fund requirements for the above debentures are \$1,250,000 for each of the ensuing five years. The excess of bonds cancelled or purchased for redemption to date over the cumulative sinking fund requirements at July 26, 1975 amounting to \$1,609,000 may be applied against these requirements.		
Notes payable — 10% due August 1, 1976	5,000	5,000
Bank term loan		525
	<u>69,390</u>	<u>45,240</u>
	<u>128</u>	<u>300</u>
	<u>69,262</u>	<u>44,940</u>

4. Capital Stock

- (a) Supplementary letters patent were granted July 14, 1975 reducing the authorized capital of the company by cancelling 768 Series "A" preferred shares and 10,200 subordinated preferred shares.
- (b) During the year 768 Series "A" preferred shares were redeemed.
- (c) The subordinated preferred shares are subject to the restriction that the company may redeem such shares to a maximum of \$1,000,000 in each year. During the year, the company redeemed 10,200 shares at par for a consideration of \$999,600. Subsequent to July 26, 1975, the company redeemed a further 10,200 shares at par for a consideration of \$999,600.
- (d) As at July 26, 1975 the company has reserved 188,351 Class "A" shares as follows:

	Number of shares	Price per share
Options to senior employees —		
Exercisable to November 30, 1978	70,850	\$12.00
November 30, 1978	1,800	\$18.00
November 30, 1978	5,000	\$19.00
November 30, 1978	64,810	\$20.00
	<u>142,460*</u>	
Reserved for future allocation of options at a price to be determined by the Board of Directors but not less than 90% of the market value at the time of allocation	26,665	
Employee Stock Purchase Plan 1973 —		
Subscription rights which will be in effect until March 31, 1976	19,226*	\$18.00
	<u>188,351</u>	

*The exercise of all of the outstanding options and subscription rights would dilute earnings per Class "A" and common share by 2 cents (1974 - 5 cents) and cash flow of Ivanhoe Corporation by 2 cents (1974 - 3 cents).

- (e) During the year 13,231 Class "A" shares were issued to employees for cash of \$175,000.

5. Contributed Surplus

The contributed surplus as at July 26, 1975 consists of a premium on issue and conversion of shares and gains on redemption of Series "A" preferred shares amounting to \$10,563,000 with respect to prior years and of a gain on redemption of Series "A" preferred shares amounting to \$27,000 during 1975.

6. Retirement Plan

There are obligations for past service pension benefits amounting to \$1,800,000 as at July 31, 1974 in accordance with actuarial estimates. These obligations are being satisfied by annual payments of \$156,000 to 1990.

7. Long-Term Leases

The aggregate minimum rentals, exclusive of additional amounts based on percentage of sales, taxes, insurance and other occupancy charges under long-term leases in effect at July 26, 1975 for each of the periods shown are as follows:

	Payable to Ivanhoe Corporation and subsidiaries (thousands of dollars)	Payable to others (thousands of dollars)
Within 5 years	33,704	75,421
Within the next five years	26,348	68,238
Within the next five years	22,443	58,607
Within the next five years	10,252	40,974
Within the remainder of the term	2,349	43,401
	<u>95,096</u>	<u>286,641</u>

8. Contingent Liabilities

(a) Income taxes

As reported in prior years, the Deputy Minister of Revenue of the Province of Quebec instituted legal action against the company claiming taxes for the years 1951 to 1963 inclusive aggregating \$902,000 including interest to date of the action, on profits made through the disposition of capital assets. Judgement was awarded in favour of the company in the Quebec Superior Court; however, the Deputy Minister of Revenue has appealed the judgement to the Quebec Court of Appeal. The appeal has not yet been heard.

(b) Guarantees

- (i) Ivanhoe Corporation has guaranteed bank loans, amounting to \$5,025,000 of companies in which it has ownership interests.
- (ii) Steinberg's Limited has guaranteed a bank loan on behalf of Pharmaprix Limited in the amount of \$500,000.
- (iii) Steinberg's Limited has also guaranteed jointly and severally with Koffler Stores Limited and Pharmaprix Limited leases of pharmacy proprietors affiliated with Pharmaprix Limited in the amount of \$9,158,000 payable mostly over a 20 year period.

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Steinberg's Limited and subsidiary companies as at July 26, 1975 and the consolidated statements of earnings (including the consolidated statement of earnings of Steinberg's Limited and its retail and manufacturing subsidiary companies and the consolidated statements of earnings and cash flow of Ivanhoe Corporation and subsidiary companies), retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at July 26, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand

October 10, 1975.

Chartered Accountants

Statistical review

Steinberg's Limited and Subsidiary Companies
For the fiscal year ended July

(Expressed in thousands of dollars)	1975 \$	1974 \$	1973 \$
Sales — retail and manufacturing companies	1,420,966	1,185,581	1,002,304
Salaries, wages and employee benefits	190,449	158,399	134,465
Depreciation and amortization	15,803	14,473	12,903
Income taxes — current	16,039	13,495	12,759
Income taxes — deferred	(1,016)	2,339	1,377
Net earnings	11,460	16,229	16,729
Net earnings per dollar of sales	.81¢	1.37¢	1.67¢
Net earnings per common and Class "A" share (in dollars)	1.60	2.29	2.37
Inventories	112,165	113,283	82,391
Working capital	35,438	23,440	30,725
Total assets	417,674	389,003	338,292
Shareholders' equity (book value)	147,289	141,192	130,331
Return on equity	7.78%	11.49%	12.84%
Equity per common and Class "A" share (in dollars)	19.77	18.77	17.10
Dividends to shareholders	4,489	4,509	3,481
Capital expenditures	36,590	34,309	36,329
Number of Stores			
Food Stores	196	191	187
Department Stores	28	32	31
Beaucoup	2	1	
Sales areas in thousands of square feet			
Food Stores	3,127	2,985	2,815
Department Stores	1,931	2,226	2,173
Beaucoup	173	102	

(1) The figures for 1967 and subsequent years reflect the consolidation of Ivanhoe Corporation — (note 1 of financial statements).

*53 weeks.

1972 \$	1971* \$	1970 \$	1969 \$	1968 \$	1967(1) \$	1966 \$
871,828	786,407	679,650	553,335	480,125	439,496	400,883
114,650	102,575	88,206	77,314	69,835	59,239	50,812
11,511	10,674	10,168	9,389	8,349	6,015	4,396
10,067	9,111	8,393	3,952	5,139	6,238	7,672
552	(111)	1,054	1,685	2,184	761	214
14,972	9,459	9,317	5,909	6,402	6,875	7,371
1.72¢	1.20¢	1.37¢	1.07¢	1.33¢	1.56¢	1.84¢
2.16	1.37	1.34	0.84	0.91	0.99	1.07
68,440	59,011	55,723	47,412	41,618	39,462	31,059
26,203	8,979	9,151	10,846	4,863	13,114	31,222
287,848	266,685	252,950	244,808	227,554	213,341	130,793
117,411	104,488	98,083	91,410	88,276	84,859	69,839
12.75%	9.05%	9.50%	6.46%	7.25%	8.10%	10.55%
15.20	13.41	12.36	11.37	10.89	10.51	9.81
2,620	2,608	2,666	2,671	2,665	2,645	2,431
22,456	18,428	11,631	16,860	21,616	16,919	13,794
185 28	179 26	176 23	178 22	175 15	168 15	157 11
2,692 2,001	2,544 2,138	2,455 1,980	2,467 1,904	2,390 1,430	2,250 1,430	2,056 950

Directors and officers

Directors

Sam Steinberg
Chairman of the Board
Nathan Steinberg
Vice-Chairman of the Board
André Charron, Q.C.
President
Lévesque, Beaubien Inc.
Melvyn A. Dobrin
Mitzi S. Dobrin
James N. Doyle
Campbell W. Leach, C.A., D.C.L.
Jack Levine
Hon. Lazarus Phillips, O.B.E., Q.C.
Senior Partner
Phillips & Vineberg
Gérard Plourde
Chairman of the Board
UAP Inc.
H. Arnold Steinberg

Officers

Sam Steinberg
Chairman of the Board,
Chief Executive Officer
Nathan Steinberg
Vice-Chairman of the Board,
Senior Vice-President
Melvyn A. Dobrin
President
James N. Doyle
Executive Vice-President,
Legal and Corporate Affairs; Secretary
Jack Levine
Executive Vice-President,
Retailing
H. Arnold Steinberg
Executive Vice-President,
Administration and Finance
Oscar Plotnick
Senior Vice-President
Norman Auslander
Vice-President and
General Manager,
Ontario Division
Mitzi S. Dobrin
Vice-President,
Miracle Mart Division
Stanley F. English
Vice-President and
General Counsel; Assistant Secretary
William Howieson
Vice-President, Treasurer
and Comptroller
Morris Ladenheim
Vice-President and Director of
Private Label Development
Malcolm N. MacIver
Vice-President,
Labour Relations
Sidney Pasoff
Vice-President,
Management Systems & Control
Gerry Spitzer
Vice-President and General Manager,
Quebec Division
Henri Tremblay
Vice-President, Personnel

Principal Subsidiaries

Cardinal Distributors Limited
Morris Steinberg, President
Sam Gerstel, General Manager
Cartier Sugar Ltd.
John A. Lang, President
Intercity Food Services Inc.
Lewis Steinberg, President
Edy Lachman, Vice-President and
General Manager
Ivanhoe Corporation
H. Arnold Steinberg, President
Ralph H. Ordower, Vice-President and
General Manager
Phénix Flour Limited
John A. Lang, President
Guy Tremblay, Vice-President and
General Manager
Steinberg Foods Limited
Jack Levine, President
Joseph Beerman, Vice-President and
General Manager

Transfer Agent

Montreal Trust Company
Halifax, Montreal, Toronto, Winnipeg,
Regina, Calgary and Vancouver

Registrar

The Royal Trust Company
Halifax, Montreal, Toronto, Winnipeg,
Regina, Calgary and Vancouver

Stock Exchange Listings

Class "A" and 5¹/₄% Preferred Shares
Montreal Stock Exchange
Toronto Stock Exchange

Auditors

Coopers & Lybrand
Montreal



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